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FARMERS' NEWSLETTER

Wheat



June 80/W-13

Large Wheat Supplies Ahead

Since the new wheat marketing year just started on June 1, estimating production, supply, and prices for 12 months ahead is an iffy proposition. That's why you see ranges for these forecasts, shown in the table opposite.

Here's a rundown of the estimates for the new year and some of the thinking behind them:

- Harvest is underway on the winter wheat crop estimated at a record 1.71 billion bushels. In April, farmers reported intentions to plant 15 percent more Durum and other spring wheat than last year.

While a prolonged dry spell in the Northern Plains has reduced spring wheat prospects, increased plantings, together with a record winter wheat crop could result in a total harvest of 2.1 to 2.4 billion bushels. Thus a new record is possible, since the previous high--set in 1976--was 2.14 billion bushels.

- June 1 carryover stocks of around 900 million bushels, added to a potentially large crop, will lift supplies to between 3.0 and 3.4 billion bushels. The total supply has topped 3.0 billion

NEW CROP UP--PERHAPS A RECORD

	1978/79	1979/80 Estimated	1980/81 Forecast*
<i>Million bushels</i>			
Supply:			
Beginning stocks . .	1,177	925	920
Production	1,798	2,142	2,100-2,450
Imports	1	2	2
Total supply. . . .	2,976	3,069	3,022-3,372
Use:			
Food	591	600	605-615
Seed	87	99	90-102
Feed	179	75	50-125
Exports	1,194	1,375	1,200-1,500
Total use.	2,051	2,149	2,000-2,300
Ending stocks	925	920	850-1,300
<i>Dollars per bushel</i>			
Avg. farm price	2.98	3.70-3.80	3.45-4.15

*As of May 12, 1980.

bushels only twice before. One of those times was just last season when the total reached an alltime high of 3.1 billion bushels.

- Wheat trade is expected to remain strong, despite a prospective larger world crop in 1980. As a result, U.S. exports may range from 1.2 to 1.5 billion bushels depending on production levels in other countries and how much competing wheat exporters may have available to sell. Right now, it appears that U.S. exports may be near the record 1.37 billion of this year.

- The 605 to 615-million-bushel range shown for food use reflects continued

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The next wheat newsletter is scheduled for mid-August.

The Making of a Record Winter Wheat Crop

Based on conditions as of May 1, 1.10 billion bushels of Hard Red Winter wheat may go into the bin, just topping 1979's record. A substantial expansion in harvested acres--mainly the result of no set-aside and strong prices at planting time--offsets a potential drop in yield of about 5 bushels per acre. A crop this size added to June 1 carryover will likely result in another year of large hard winter supplies.

Due to good to excellent crop conditions and 25 percent more planted acres, a record Soft Red Winter harvest is expected. The May 1 forecast of 382 million bushels is 60 million above a year ago, and well above 1977's alltime high of 350 million bushels.

Greatly improved soil moisture conditions and expanded acreage point to a 15-percent larger White wheat crop--forecast at 224 million bushels on May 1. At this point, it appears the fallout from the Mount St. Helens eruption will have little impact on final yields in the Pacific Northwest. However, blocked river traffic has brought grain movements to a standstill.

growth in wheat product consumption. In turn, with wheat prices likely to continue well above feed grains, the amount of wheat fed to livestock, forecast between 50-125 million bushels, probably won't change much from a year ago.

- The large supply could put downward pressure on prices but increased placement of wheat into the farmer-owned reserve will probably absorb excess stocks and help moderate price declines.

If world production prospects deteri-

orate, stocks could decline and farm prices could improve from last season's \$3.75 a bushel.

Based on these possibilities, prices for the new crop year may range from \$3.45 to \$4.15 a bushel.

1980 Wheat Prices?

At this early date, it appears that farm prices for the first few months of the new marketing year will fall below year-earlier levels. However, since export demand is expected to continue strong, farm prices are likely to strengthen after the harvest season.

Decisions on the 1981 wheat crop program will also affect price levels later in the year. The program announcement could be made as early as August 1. Some situations that should be watched closely in coming months:

- The making of a record 1980 wheat harvest can run into trouble if dry conditions continue in northern spring wheat areas. But producers' intentions to plant 3 million more acres can compensate for expected lower yields. USDA's first estimate of the size of the spring wheat crop will be made on July 11, 1980.
- Watch developing conditions in other major world spring wheat producing countries--Canada, the Soviet Union, and China. Canadian producers expanded 1980 planted area, but a prolonged dry spell continues to threaten much of the crop despite recent beneficial rain in the northern and western spring wheat areas. Seeding has lagged in the Soviet Union and planted area may fall below planned levels. China's spring crop is developing under generally favorable conditions.
- Early prospects for total world wheat output suggest production may range from 420 to 460 million metric

tons, compared with 420 million last year. The first estimate of the Soviet wheat crop indicates 90-115 million metric tons, versus 90 million last season. Larger crops may also be expected from the United States, Western and Eastern Europe, Turkey, and Canada with possible decreases in China and India. If these production prospects deteriorate, supplies would decline and prices may improve.

Program Notes

Major features of the 1980 wheat program have already been announced and were outlined in April's Wheat Newsletter. However, mid-April brought a major change--interest rates to be charged for 1980 loans were raised from 9 to 13 percent. Loans already held by farmers at the old rate will not be affected.

A VERY IMPORTANT REMINDER... To be eligible for any program benefits, you must certify your 1980 planted acreage at your county ASCS office not later than the final certification date established for your location. These dates vary by State and county.

Listed below are various price levels applicable to program provisions in

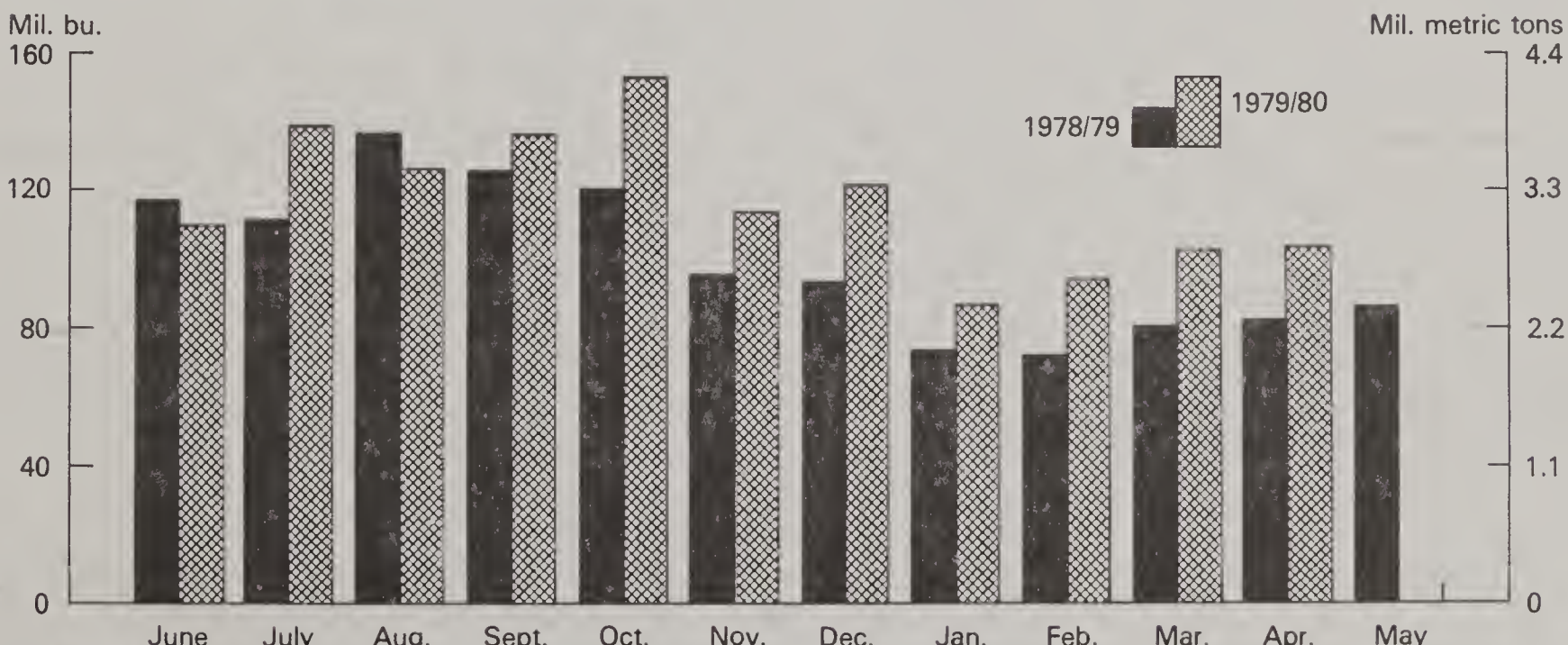
effect this year, and how they compare with last season. Note the difference in target price protection and disaster payments based on whether you stay within the normal crop acreage (NCA) for your farm.

	1979/80 \$/bu.	1980/81
Loan rate	2.50	2.50
Target prices		
NCA compliers <u>1/</u>	3.40	3.63
NCA noncompliers	NA	3.08
Disaster payment		
NCA compliers <u>1/</u>		
Prevented planting	1.13	1.21
Low yield	1.70	1.82
NCA noncompliers		
Prevented planting	NA	1.03
Low yield	NA	1.54
Grain reserve		
Release price		
Old contracts <u>2/</u>	3.29	3.50
New contracts	NA	3.75
Call Price		
Old contracts <u>2/</u>	4.11	4.38
New contracts	NA	4.63
Yearly storage payment	0.25	0.265

1/ 1979 set-aside participants.

2/ Prior to January 7, 1980.

U.S. WHEAT EXPORTS CONTINUE STRONG





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Mapping Out Your Marketing Strategy

As the winter wheat harvest gets into full swing, prices are likely to be below last year's strong early season levels, which reflected the surge in Soviet wheat purchases. In turn, the same producer marketing practice of selling heavily while the harvest was in progress, may not be appropriate this year. A cautious approach during harvest may help prices reach higher and firmer seasonal levels.

If you follow this strategy, you may want to use the loan and reserve programs to fill your immediate cash needs. After certifying planted acreage, all producers are eligible to take out a loan on their 1980 crop. Of course, you'll have to balance the 13-percent interest rate against your own financial needs and sources.

But remember, you may place 1980 wheat directly into the 3-year farmer-owned reserve at the time that it is put under loan. Immediately, you'll receive a 26-1/2 cent per bushel storage payment and after the first year, interest charges cease.

In summary, you can help support prices by:

- limiting sales during harvest,
- placing wheat under price-support loans,
- transferring wheat to the grain reserve, and
- regulating amounts you sell at various prices.

Here's something else to keep in mind: Under law, the farmer-owned wheat reserve program is limited to a maximum of 700 million bushels. Wheat can be placed in the reserve until this level is reached or market prices rise to the call level--\$4.63 per bushel. As we begin this new crop year, the reserve totals around 260 million bushels.

* Watch Quality *
*
* Storing grain on your farm? If *
* so, be sure it's kept in good *
* condition. Check frequently for *
* damage from insects, heating, etc. *
* Farmers are responsible for main- *
* taining the quality of any grain *
* they store in the farmer-held *
* grain reserve or under regular *
* price support loans. *
*
